

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7389

BILL NUMBER: HB 1371

NOTE PREPARED: Feb 26, 2003

BILL AMENDED:

SUBJECT: Borrowing for annexation expenses.

FIRST AUTHOR: Rep. GiaQuinta

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes Fort Wayne to make loans each year through 2006 to provide services to annexed areas.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The state would not pay property tax replacement credits on the levy used to retire this debt. However, the state would pay homestead credits against homeowner's portions of the debt levy. Homestead Credits equal 20% of the net property tax due on owner-occupied residences and are paid from the Property Tax Relief Fund, which is annually supplemented by the state General Fund. Therefore, any additional Homestead Credit payments would ultimately come from the state General Fund.

It is estimated that beginning in CY 2003, about 44% of property taxes will be attributable to residential property, statewide. Assuming that the City of Fort Wayne secures a \$3 M loan each year from 2003 through 2006 at a 5% interest rate with five annual payments, the additional state homestead credit expense is estimated at \$20,000 in FY 2004, \$81,000 in FY 2005, \$140,000 in FY 2006, \$200,000 in FY 2007, \$245,000 in FY 2008, \$225,000 in FY 2009, \$165,000 in FY 2010, \$100,000 in FY 2011, and \$40,000 in FY 2012. It must be noted that the debt levies would be raised within Fort Wayne's current levy authority and that the city could currently impose this levy for other purposes, obligating the state for additional homestead credit under current law.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would permit the City of Fort Wayne to secure loans not exceeding 5% of the city's non-debt property tax levy each year through 2006. In CY 2002, Fort Wayne's total gross property tax levy equaled \$61.3 M. There were no debt service or lease/rental levies. Based on the 2002 levy, the city would be able to borrow about \$3 M per year in 2003, 2004, 2005, and 2006 for a total of \$12 M. However, Fort Wayne's property tax levy was \$22.6 M under its maximum levy in 2002. If the city were to levy its entire maximum levy, then the loans would be limited to about \$4.2 M per year for a total of \$16.8 M.

The loans would each carry a term of up to five years. The levies needed to make loan payments would be subject to the city's current maximum levy limitation. Therefore, this bill would not add any additional levy authority to the city.

According to the bill, the city would not have to seek approval to incur this debt from the Local Property Tax Control Board or the Department of Local Government Finance. The debt issue would also not be subject to the petition/remonstrance procedure for controlled projects.

State Agencies Affected:

Local Agencies Affected: City of Fort Wayne.

Information Sources: Local Government Database.

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